

Rochester Institute of Technology RIT Scholar Works

Theses

Thesis/Dissertation Collections

2010

Kosovo Energy Corporation debt collection strategy : [presentation given May 24, 2010]

Bekim Jakupi

Follow this and additional works at: <http://scholarworks.rit.edu/theses>

Recommended Citation

Jakupi, Bekim, "Kosovo Energy Corporation debt collection strategy : [presentation given May 24, 2010]" (2010). Thesis. Rochester Institute of Technology. Accessed from

This Master's Project is brought to you for free and open access by the Thesis/Dissertation Collections at RIT Scholar Works. It has been accepted for inclusion in Theses by an authorized administrator of RIT Scholar Works. For more information, please contact ritscholarworks@rit.edu.

Mr. Bekim Jakupi

Kosovo Energy Corporation j.s.c Debt Collection Strategies

Submitted as a Capstone Project Proposal in partial fulfillment of a Master of Science Degree in Professional Studies at RIT Center for Multidisciplinary Studies

Date of Submission: 18th May 2010

Table of Contents

Acknowledgments	4
Chapter One	5
1.1 Abstract	5
1.2 Problem Background.....	7
1.2.1 Non-payment	7
1.2.2 KEK liquidity	9
1.2.3 Non-payment by budgetary consumers	9
1.2.4 Economic impairment resulting from low level of collections	9
1.2.5 KEK cost of borrowing is high.....	10
1.2.6 KEK credit rating damaged due to high receivables	10
1.2.7 Other important issues to consider	10
1.2.8 Net Present Value Analysis	11
1.2.9 Net Present Value Analysis outcome	11
Chapter Two.....	13
2.1 Project Description	13
2.1.1 Enforcement of debt judgments.....	13
2.1.2 Debtor grouping in categories	14
2.1.3 Tariff groups	14
2.1.4 Grouping of debtors based on amount of debt	15
2.1.5 Applying discounts as incentives	16
Chapter Three	18
3.1 Project Findings.....	18
3.1.1 Analysis of receivables as per debtor category	18
3.1.2 Analysis of receivables due from household consumers.....	20
3.1.3 Analysis of receivables due from industrial and commercial consumers	21
3.1.4 Analysis of receivables due from budgetary consumers	22
3.1.5 Main reasons leading to non-payment.....	23
Chapter Four.....	24
4.1 Discussion and Appraisal	24

Chapter Five	28
5.1 Conclusion and Recommendation.....	28
5.2 The Offer	28
5.2.1 Commercial consumers, Category No.1	28
5.2.2 Household consumers, Category No. 2	29
5.2.3 Flat rate consumers, Category No. 3	29
5.3 Who Benefits.....	30
5.3.1 KEK Benefits	30
5.3.2 Consumer Benefits	30
5.3.3 Benefits to KEK employees	31
5.3.4 Benefits to other stakeholders	31
5.3.5 Why 50% discount	32
5.3.6 Assumed collection scenarios	32
5.3.7 Anticipated analysis outcome.....	34
List of References	35-36
Appendices.....	37-39

Acknowledgments

I wish to express my gratitude to those who helped me with the preparation of this report. Thanks to my colleagues at Kosovo Energy Corporation for many informative discussions concerning the issue of KEK receivables. I am especially grateful for the insights I have gained through numerous discussions with Mr. Agron Kamberi, Head of Customer Care Package Analysis Department in KEK Supply Division.

In addition, I express my appreciation to Mr. Ismet Husaj, Chief Accounting Officer at KEK for unreserved support in providing accounting data required.

I am indebted to Mr. Krassimir Kanev, Financial Consultant of PA Consulting Group, for his continuous guidance on financial matters.

I am also grateful to Dr. Brian Bowen for numerous mentoring sessions, continuous guidance and patience.

I also owe a special debt of gratitude to my family and friends for their encouragement, examples of virtuousness, positive emotions and high quality connections.

Chapter One

1.1 Abstract

This capstone project considers the Kosovo Energy Corporation j.s.c (KEK) debt collection difficulties amounting to € 350 million in receivables [1].

This enduring issue has seriously affected KEK's financial status. With privatization pending, this will find KEK burdened with receivables¹ mature over 10 years, hence negatively impact value.

Table 1.1 Abstract Summary

- *Kosovo Energy Corporation j.s.c (KEK) receivables as of 31st December 2009 are €350 million*
- *The receivables have been accumulated since year 2000*
- *Accumulated receivables are having negative a impact upon KEK finances*
- *This project identifies ways to collect the debts through well catered incentives in the form of discounts*

Addressing this problem will involve multidimensional efforts, arduous analysis and tremendous creativity. The average income in Kosovo stands at €249 [2]. The unemployment remains high. During 2008, unemployment rate was 47.5% [3]. In these economic circumstances, collecting debt presents a difficult challenge.

“Whether you think you can or you cannot, you are probably right” Henry Ford

The project states that this can be done with concerted effort between KEK, Ministry of Justice (MoJ), Ministry of Internal Affairs (MoIA), Ministry of Economy and Finance (MEF), Ministry of Energy and Mining (MEM) and debtors, to produce a state of affairs which will lead to a successful final solution. An assortment of analysis and consultation should be undertaken with relevant Divisions and Departments of KEK.

The ultimate goal is to produce a win-win outcome that does not suppress economic objectives while also respecting legal, social and ethical values. Finely defined incentive schemes are outlined which will encourage debtors to reconcile their overdue electricity payments. Incentives are also described for regular paying consumers *pari passu*. These

¹ The receivables/debt has been provisioned for accounting purposes, nevertheless, the report will refer to it as receivable and/or debt

to be funded from collected aged receivables to remedy possible frustration amongst the consumers with zero debt whom may rightly rebel against KEK for double standards. Incentives will be catered based on the characteristics of consumers, such as the amount of debt, type of consumers and other relevant characteristics.

Based on the analysis of this project, it is concluded that a primary objective is to collect outstanding debts from KEK consumers and then to offer discounts in return for full payments net of discounts.

Secondary objective is to ensure that the regular paying KEK consumers also benefit from this scheme financially.

1.2 Problem Background

1.2.1 Non-payment

The non-payment problem of electricity bills is a regular practice in Eastern European Countries and Former Soviet Union. “Towards the end of the 1980s, the centrally planned economic system in Eastern Europe and the Soviet Union collapsed and the ensuing transition of these countries towards market economy was characterized by the trauma of GDP collapse, inflation, rising unemployment and loss of traditional export markets as well as preferential trading arrangements. Traded energy prices rose quickly to international levels hitting the energy sector with high supply costs, while the ability of consumers to pay declined sharply owing to the loss of markets for the enterprises and declining income for households” [4].

Table 1.2 Problem Background Summary

- *Non-payment of electricity is an accentuated practice in Eastern Europe*
- *In Kosovo non-payment of electricity bills still a common practice*
- *Other reasons that contributed to non-payment culture in Kosovo – transitional difficulties and the War aftermath*
- *Courts in Kosovo have not been consolidated yet hence KEK Court cases against the debtors are not handled effectively*
- *Other enforcing agencies did not provide the necessary support to deal with KEK debtors*
- *Budgetary organizations owe to KEK €1.6 million – although they are subsidized by the Government of Kosovo*
- *KEK assets were impaired due to low level of collections (IAS 36)*
- *KEK liquidity suffers due to an ever increasing receivables balance*
- *KEK borrows at rates from 7.00-12.00% due to insufficient liquidity*
- *KEK should offer discounts to its debtors to encourage payments in full and clear the outstanding debts hence improve its financial situation*
- *The Discounted Cash-flow Analysis (DCF) proves it is better to collect now since the value of money diminishes in time*

Kosovo has experienced transitional difficulties. However, the consequences of 1999 War and the proceeding 10 years of mismanagement and underinvestment in the Kosovo Energy Sector during Serbian occupation (1989-1999), embody two major factors which lead to non-payment problem of electricity. The consequences from these two events continue to trouble KEK in many ways.

1.2.2 KEK liquidity

KEK liquidity continues to suffer due to a mounting receivables imbalance, resulting from non-payment of electricity by negligent consumers. These include non-payment from households, commercial, industrial consumers and budget organizations throughout Kosovo.

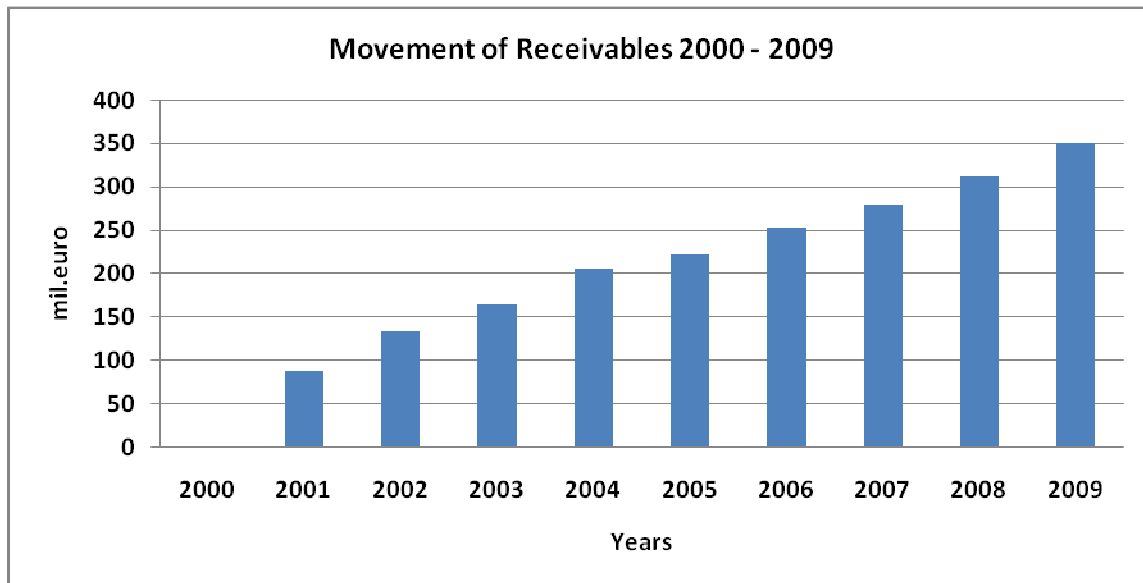
The total receivables balance continues to grow year after year, although lately due to improved collection procedures the debt on year to year basis showed a decline; during first ten months of 2009 the debt created was €25 million, which represented a drastic fall compared to the same period of the past years [5].

This decline followed as a result of a pilot project initiated by PA Consulting and KEK recovery team in conjunction with NCSC (a USAID implementing partner in the justice reform sector) with emphasis on the enforcement of debt judgments in Gjilan and Prishtina Municipalities. Initially, KEK experienced a steady increase in the percentage of debt recovered, however, this trend negated when the legal office of KEK without coherent strategy issued 5,500 claims that could not be handled steadily [6].

This ascertains the actuality that the courts of Kosovo themselves have not been consolidated yet and this is having an adverse effect for KEK. On the other hand, KEK failed to act accordingly.

Although KEK has become more efficient in its collection strategy in the last 2-3 years, this does not solve the problem of the vast amount of overdue payments accumulated since year 2000.

Figure 1.2 Movement of Kosovo Energy Corporation's Receivables



Data Source: Published Auditors Reports 2001-2009@ www.kek-energy.com

As shown in Figure 1, the upward tendency continues to date. Although leaving aside macroeconomic causal factors of non-payment of electricity, the War aftermath posed urgency to provide with electricity without mechanisms to measure, bill and collect adequately. This provided for a culture of hesitation to pay for electricity. This culture was further consolidated by the failure of Courts and other enforcing agencies to adequately deal with irresponsible KEK consumers.

A large proportion of overdue electricity payments can be attributed to political circumstances in Kosovo, namely, the enclave of Northern Mitrovica. Some €100 million debt is owed by the Serb minority in this part of Kosovo where KEK has very limited access. Attempts to collect overdue debt in this area have always been knitted into a political issue by Serbian Government and UNMIK. The Serbian population refused to sign contracts with KEK for debt repayment, arguing that to do so would imply recognition of the institutions of Independent Kosovo [7].

1.2.3 Non-payment by budgetary consumers

The Government of Kosovo (GoK) and its budgetary units have also contributed to this problem. Although the GoK claims to have allocated funds for electricity payments to Governmental Institutions, Ministries and Budgetary Consumers, the Kosovar Institutions owe KEK large amounts of money. Municipalities' debt towards KEK exceeds €2 million [8].

Overall the total debt of Budgetary Consumers² as at 31st December 2009 is € 1.6 million (KEK Customer Care Package Data, Reviewed on 12th March 2010).

1.2.4 Economic impairment resulting from low level of collections

The growing receivables affect the value of KEK since the uncollected debt is often treated as a failure by the company to collect. Impairment as per International Accounting Standard (IAS) 36 has wiped enormously the value of KEK. "IAS 36 requires an impairment loss to be recognized when the carrying amount of an asset exceeds its recoverable amount [9]. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of the estimated future cash flows expected to arise from continuing use of an asset and from its disposal. In view of the very poor condition of the assets, high level of technical losses and *low level of collection being experienced by KEK*, auditors concluded that a provision for economic impairment is required" [10].

² Budgetary Consumers include all those Institutions receiving funds from the Kosovo Consolidated Budget

These concerns portray a bad picture in the eyes of the potential investors in the privatization bid. “Rudina Heroi, a Researcher from the GAP institute claims that consumer’s debt towards KEK will have an impact in the process of private capital infusion in KEK. KEK has a large number of uncollected invoices, and without doubt this will have an impact on the price of KEK” [11].

1.2.5 KEK cost of borrowing is high

Naturally, liquidity remains another extremely important reason as to why this issue needs to be solved. KEK has continually borrowed to meet its short and long terms fund requirements expensively. The overdraft facility used to meet KEK short term needs has varied from 7.00 – 12.00% depending on EURIBOR (European Interbank Borrowing Rate) movements. On the other hand, the capital investments undertaken by KEK have been funded in the form of loans by KCB at a cost from 6.00 - 7.43%. KEK will eventually have to pay 10’s of millions in interest and provisions to fund its short and long term capital needs, decaying further its potential for profitable future.

1.2.6 KEK credit rating damaged due to high receivables

Notwithstanding the accumulated debts, KEK would have comfortably financed its capital investments internally and would not have to pay interests on loans ranging from 6.00 – 12.00% per annum. The high cost of credit for KEK is itself a derivative of bad credit rating that the lenders will attach to KEK due to its problems with debt collection. The issues mentioned above are all core problems that synthesized together have brought KEK in an extremely difficult position.

1.2.7 Other important issues to consider

The analysis of this issue is of utmost importance in that it will upset KEK’s future whether privatized or not. It is imperative to reiterate the fact that if KEK went into privatization, this problem will contribute greatly in the overall value of KEK. This is due to the impairment as per IAS 36, where low level of debt collection is one of the three triggers that led the Due Diligence Report to apply this accounting standard.

Another very important reason as to why should KEK collect now rather than leave this issue aside is the net present value of money (NPV).

This report will prove that collecting money now by offering discounts is better or equal to an amount received in the future from these debts.

1.2.8 Net Present Value analysis

The total outstanding debt to KEK is €350 million. If we were to provide a 50% discount to encourage debtors to clear their debts now, KEK would collect € 175 million ($350 \times 50\% = 175$).

The €175 million today may be better than €350 million in five or ten year's time. The *timing* affects the value of cashflows because of the time value of money hence the NPV theory will be applied to prove this report problem statement right.

For the purposes of applying the NPV to find out the net present worth of € 350 million received after 5, 6, 7, 8, 9 or 10 years, the report will assume a 12% discount rate per annum (10% cost of funds + 2% inflation).

A present value for a future cash flow is calculated by multiplying the future cashflow by a factor [12]:

NPV = $(1/(1 + r))^n$, where **r**- is the rate of discount and **n**- is the number of years discount applied, hence in the case of KEK:

$$\text{NPV} = (350/1.12)^5 = \text{€}198,6 \text{ million}$$

$$\text{NPV} = (350/1.12)^6 = \text{€}177,3 \text{ million}$$

$$\text{NPV} = (350/1.12)^7 = \text{€}158,3 \text{ million}$$

$$\text{NPV} = (350/1.12)^8 = \text{€}141,3 \text{ million}$$

$$\text{NPV} = (350/1.12)^9 = \text{€}126,2 \text{ million}$$

$$\text{NPV} = (350/1.12)^{10} = \text{€}112,7 \text{ million}$$

1.2.9 Net Present Value analysis outcome

The results are evident. If KEK were to collect all the outstanding debt, that is all € 350 million after five years, the net worth of the money wouldn't be the same. In fact the €350 million received after five years in today's terms would only be worth € 198.6 million. In six years, the net worth of the total debt would be € 177.3 and so on. The result of the NPV, concisely suggest that it s better to offer a discount of 50% today and receive € 175 million in today's worth rather than continue with this status quo and then maybe, just maybe collect all the € 350 in the forthcoming years; years that will inescapably decay the debt worthiness to what the NPV indicates. Add to this other issues mentioned above and the KEK debt problem enters exponential dimensions.

Leaving aside all other aspects surrounding this issue, KEK has never nor does it intend to write off these debts. Only recently, the KEK Spokesman has declared that “KEK is decisive to collect all the outstanding debts to the last cent and it does not consider and it is not within its competencies to write off the debts of consumers whomever they may be” [13]. KEK understands the scale of this problem and this project strengthens the case for action to be taken as soon as possible.

Chapter Two

2.1 Project Description

Solving this problem requires comprehensive analysis of the situation internally and externally. It will involve concerted effort from various internal and external factors. Although much talk about debt collection may be viewed solely as a KEK problem, this problem cannot be addressed solely by KEK. Mounting KEK debt can be attributed to externalities deriving by defunct Governmental Institutions.

Table 2.1 Project Description Summary

- *Solving the electricity non-payment problem requires concerted effort between KEK and various other institutions*
- *Most of KEK debtor owe up to €5,000*
- *The report has analyzed KEK debtors based on tariff group and classification as per the amount they owe*
- *Discounts can encourage debtors to settle once and for all their outstanding debts towards KEK*
- *In Russia, discount schemes were unsuccessful due to extremely high inflation*
- *At this point in time, Kosovo uses Euro currency hence inflation is in the region of 2%*
- *The informal remittances from Kosovar Diaspora still very high*
- *The regular paying consumer should be offered some discounts to built a win-win situation*

2.1.1 Enforcement of debt judgments

As mentioned above, the enforcement of debt judgments has been slow and difficult to implement. KEK has continually pressed to have the law enforcement and other legal mechanisms support in its attempts to collect the debts owed to it. Most often the reaction to KEK calls for support were weak, unsystematic and slow. KEK workers on duty have recently been attacked whilst visiting a consumer in Vitomiricë të Pejës. This happened when KEK workers were reading measuring points of large consumers in order to fight the commercial losses [14].

Although legal and law enforcement support has increased recently, much more backing is necessary from these Institutions. No matter what proposals will be provided by this project, without decent Institutional support, KEK objectives of debt collection cannot be successful. MoJ and MoIA will be asked formally to provide the required support.

KEK is aware that the collection of aged receivables is a difficult task to conclude successfully. This is mainly due to present depressive economic circumstances, the people's repugnance towards utility payments, political state of affairs and lack of Institutional support.

Solving this situation will require some really deep and well thought creativity. Save that there will be political support from the relevant Institutions of GoK in that they will provide for favorable legal environment, this project intends to provide some well thought and catered solutions that will address particular circumstances of each consumer category - KEK debtors.

2.1.2 Debtor grouping in categories

Categories of debtors will be grouped based on certain parameters such as type of consumer, amount of debt and other relevant characteristics. Generally, the types of consumers are categorized into households, commercial, public-(budgetary organizations) and industrial consumers. This is important in that each group has certain characteristics and various schemes can be catered based on their amount of debt, their financial capability and other relevant circumstances.

2.1.3 Tariff groups

Before undertaking such classifications it is important to identify and explain the applied tariff groups, perhaps the most comprehensive grouping of consumers in KEK.

Tariff grouping in general is based on few characteristics of the system:

- ***Voltage Level***, the electrical force required by the entity
- ***Load Factor***, the ratio between energy consumed and what could have been consumed
- ***Load Profile***, behavior of consumer in the electrical network hence determine when to charge with expensive and/or inexpensive tariffs (tariff consumers)
- ***Measurement Method***, whether direct or semi-indirect electricity consumption measurement, and
- ***Installed Capacity***, being the aggregate consumption by an entity based on electrical appliances in use. For more details see table 2.

As it can be seen from the Tariff Groups table, there are 12 Tariff Groups with certain characteristics that are the same, however, they all differ from each other based one or combination of characteristics that make for these classifications. Industrial consumers differ from the rest in that they use more electricity; the voltage is higher and the consumption is measured semi-indirectly.

Commercial consumers use higher voltage in comparison to households but less than industrial consumers. They just like Households apply two tariffs, high and low tariff, more expensive and less expensive electricity respectively. Tariffs are applied based on the amount of consumption.

If a consumer uses up to 500 units of electricity they are charged the lower tariff. On the other hand, if the consumer exceeds the limit set and continues to use more than 500 units, anything used above this threshold is charged with the higher tariff. However, there are household and commercial users with single tariff only.

Table 2.2 Tariff Groups Description Table

Tariff Groups Explained				
Tariff Group	CCP Code	Voltage Level	Measurement Method	Installed Capacity
Industrial Consumers 35 kV	(1/2)	35 kV	Semi-indirect	over 100 kW
Industrial Consumers 10 kV	(1/3)	10 kV	Semi-indirect	50-100 kW
Household Consumers – Single Tariff	(4/01)	0,4 kV	Direct	10 kW max
Household Consumers – Two Tariff	(4/02)	0,4 kV	Direct	10kW max
Industrial Consumers	(6/6)	6 kV	Semi-indirect	50-100 kW
Commercial Consumers – Single Tariff	(7/01)	0,6 kV	Direct	10-50 kW
Commercial Consumers –Two Tariff	(7/02)	0,6 kV	Direct	10-50 kW
Public Lighting	(8/01)	0,4 kV	Direct	10kW max
Flat Rate Consumers - € 20	(9/01)	0,4 kV	Direct	10 kW max
Flat Rate Consumers - € 50	(9/02)	0,4 kV	Direct	10kW max
Flat Rate Consumers - € 70	(9/03)	0,4 kV	Direct	10kW max
Budgetary Consumers	B6	0,4 kV	Both	10kW max

Flat rate consumers pay a flat fee, € 20, € 50 or € 70 based on the size of the house.

It is obvious that more lenient schemes can be applied in relation to households whereas more stringent measures can be undertaken in relation to businesses. As far as debt owed by public institutions, this can be sorted by approaching directly the Ministry of Economy & Finance (MEF).

2.1.4 Grouping of debtors based on amount of debt

Another important element that will be used as determinant of the scheme to be offered is the amount of debt owed.

After each group of consumers has been filtered, another classification will follow. Each of the four groups will be further classified based on the amount of debt they owe:

1. € 0 - 1,000
2. € 1,000 - 2,000
3. € 2,000 - 3,000
4. € 3,000 - 5,000
5. € 5,000 - 10,000
6. € 10,000 - 50,000
7. € 50,000 & above

Based on the data obtained from KEK Customer Care Package (CCP)³ these categories may be changed to reflect such outcome.

2.1.5 Applying discounts as incentives

Having obtained all the information suggested above, the proposal will provide with few schemes catered to address best each category. The ultimate aim is to encourage KEK debtors to settle their debts by providing incentives in the form of discounts of up to 50% of their total debt or any other appropriate incentives. Incentives of this type in Russia, did not produce expected results because people had no money, whilst hyperinflation made Russian currency worthless. In 1992, the first year of economic reform, retail prices in Russia increased by 2,520 % [15].

Although giving discounts has proved unsuccessful in Russia, this does not necessarily suggest that this approach will not work in Kosovo. The difference between Russia and Kosovo circumstances are fundamental in the context of time and economic atmosphere. Russia experienced non-payment problems during early nineties. This was the time Russia experienced hyperinflation. Income was extremely low.

In contrast, Kosovo has no inflation, Euro currency is the official currency whilst although the average income is low, the informal remittances by Diaspora are still high and represent 40% of the total Kosovo Budget. The main vent for deflation of the economic stress in Kosovo is not the international assistance but has been and remain to be the Diaspora remittances reaching up to 500 million per annum [16].

The provision of such discounts to our problematic consumers may and will certainly raise the eyebrows of our regular paying consumers. This project will propose that should the project succeed certain benefits in the form of discounts or vouchers for free electricity to be given to regular paying customers so that to avoid annoyance. The cost of discounts given to the regular paying consumers will be covered by the income streams of collected receivables through the assumed debt repayment schemes.

³ CCP – Customer Care Package, a KEK Software used to manage consumer data

Commercial Banks and especially Raiffeisen Bank Kosovo, KEK host bank, will be encouraged to support KEK in this campaign. Banks will be encouraged to give small loans to our debtors so that they can pay KEK the outstanding debts. This will ensure that consumers do not excuse themselves from paying on the basis of lack of funds. This approach will be used especially in targeting business non electricity payers.

Certain analysis will be undertaken to study the debt in the context of post-privatization of KEK. The analysis will focus upon the ways the debt will be collected by parties inheriting or buying such debts.

Finally, a recommendation will be given as to whether the debt should be addressed before or after the privatization in terms of financial viability. A Discounted Cashflow Analysis (DCF) will be used as a tool to reach such conclusions.

A Service Level Agreement (SLA) will be signed between the capstone author and the Supply Division to ensure access to CCP and other relevant data. An authorization letter from KEK Managing Director will be obtained to secure support from the staff of both Finance Division and Supply Division.

Chapter Three

3.1 Project Findings

The findings of this report will be represented in the form of charts backed up with explanations of trend behavior behind each component/category analyzed and causal factors related to those trends. The causal factors have been established in consultation with the KEK Distribution Division-CCP Analysis Department.

Table 3.1 Project Findings Summary

- *Analysis of the debt movements executed based on grouping of KEK debtors as per amount they owe*
- *Years 2000-2001 excluded due to billing on roughly basis – the first two years after the war KEK lacked capacities to measure the electricity supplied to end users*
- *Consumers owing €0-1,000, €1,000-€2,000 and €2,000-3,000 show a decline during 2008-2009*
- *Consumers owing €3,000-5,000 have not improved but their debts continue to rise*
- *About half of debtors owing €3,000-5,000 are commercial consumers*
- *Households represent the other half of those owing from €3,000-5,000*
- *Flat rate consumers debt shows a slight increase – their overall debt is low*
- *Industrial consumers do not owe to KEK*
- *Commercial consumers debt continues to rise*
- *Commercial consumers pay regularly but only partially and in amounts to ensure they are not cut-off the grid*
- *Budgetary consumers owe €1,6 million – they will not be offered discounts*
- *High unemployment, lack of institutional support and corrupt exchanges are main reasons for the built up of this situation*

For the purposes of analyzing the debt based on amounts owed, analysis have been undertaken to show graphically the movements establishing clearly the trends on year to year basis starting from year 2002. Year 2000 and 2001 will ignored since the data related to debt throughout this period is doubtful due to billing on roughly⁴ basis.

3.1.1 Analysis of receivables as per debtor category

Figure 3.1, shows that whilst overall debt has decreased, the Debt Categories⁵ 1, 2 and 3, those owing from € 0-1,000, €1,000-2,000 and €2,000-3,000 show a decline during 2008-2009. On the other hand larger debtors, categories 4, 5, 6 and 7 (those owing from

⁴ Due to lack and/or defective meters in the aftermath of War, KEK billed its consumers on roughly basis

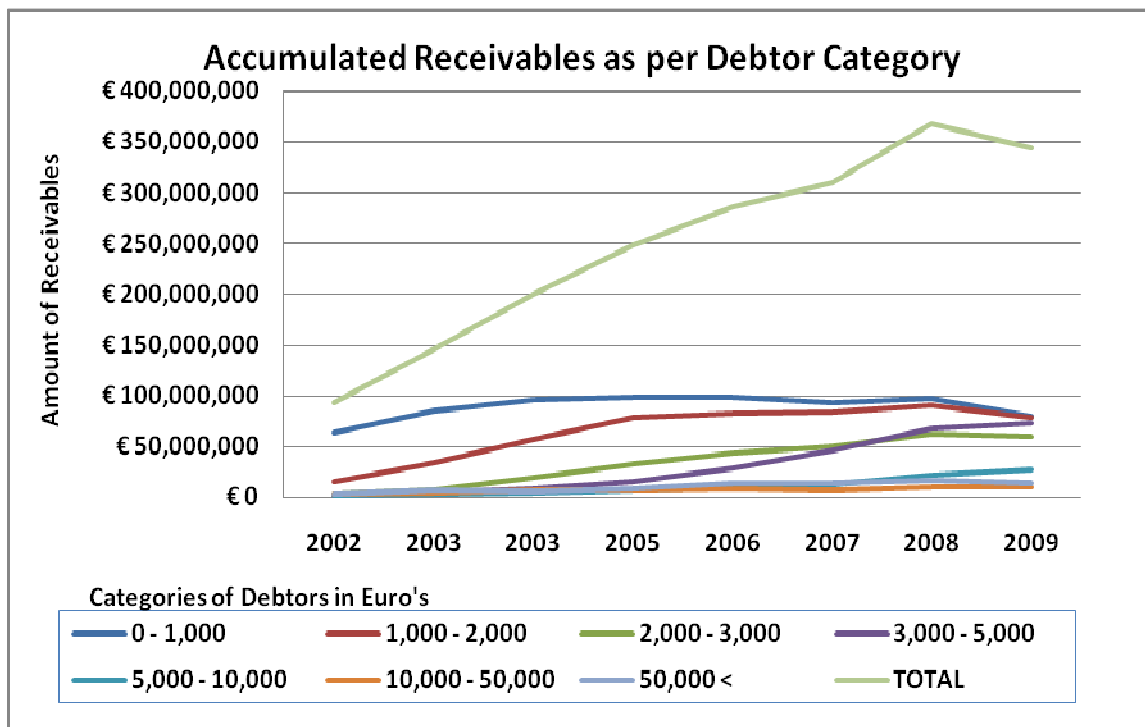
⁵ Debt Categories are described in the Project Description Section, page Nr. 13 of this Report

€3,000-5,000 to €50,000 and over) show an upward trend with accentuated increase for those owing €3,000-5,000.

This triggered further analysis to produce the following findings:

- A high percentage of those owing €3,000-5,000 are small to medium businesses that keep shifting their operations from one place to another sometimes purposefully
- Many bankrupt businesses leave behind unpaid invoices without announcing bankruptcy
- The Two Tariff Household Consumers in a substantial scale fall within this category
- The larger the debt the less willingness to service the debt
- The amount of debt is correlated with consumption, hence larger debtors tend to be businesses of small, medium and large size including households owning large houses
- Illegal reconnection have contributed to the increase of debt

Figure 3.1 Accumulated Receivables as per Debtor Group



Data Source: KEK Customer Care Package Module

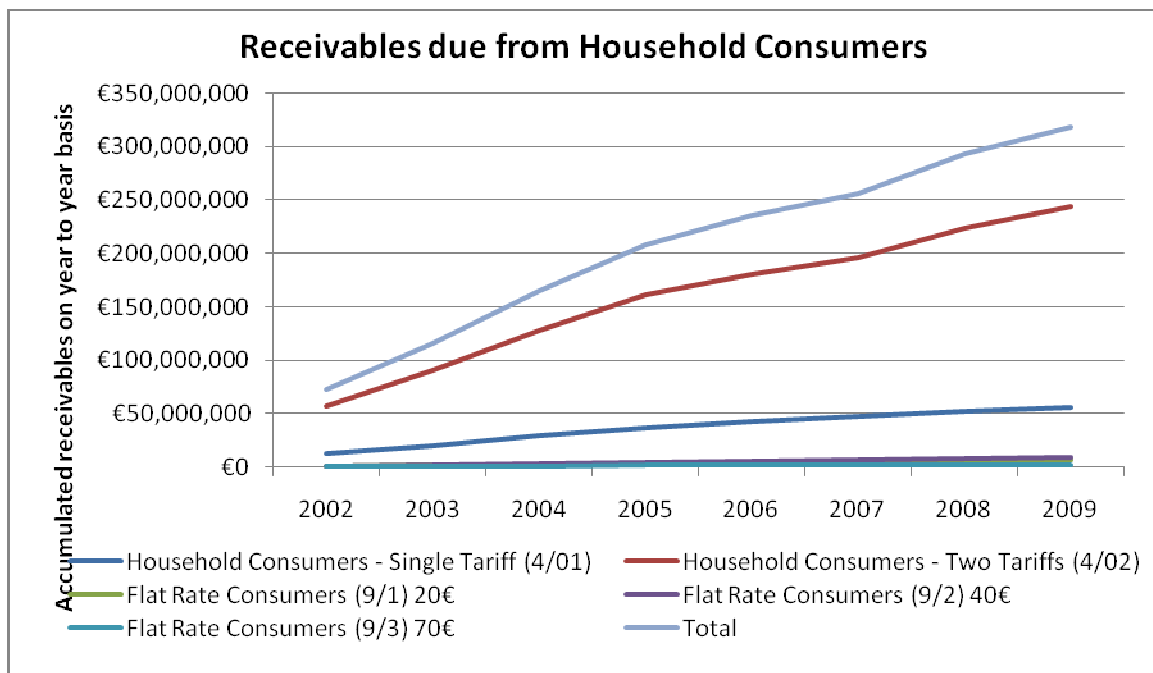
3.1.2 Analysis of receivables due from household consumers

Analysis of figure 3.2 produces confirmation that the largest portion of overall debt fall within household category. The good news is that this category of debtors overall shows a declining trend.

Speaking of Household Consumers, Figure 3 portrays the trends of the debts as per tariff group. The Two Tariffs Household Consumers⁶ tend to owe the most and their debt shows an upward trend.

The same is the case with the Single Tariff Consumer debt, whereas the Flat Rate Tariff Consumers remain constant with very slight increase. One thing is clear; the consumers with Flat Rate Tariff are steady at paying their electricity bills.

Figure 3.2 Receivables due from Household Consumers



Data Source: KEK Customer Care Package Module

Further analysis found that Flat Rate Tariff groups can plan better knowing the exact amount they ought to pay by the end of month. Furthermore, they are certainly privileged in that they may consume much more electricity in comparison to what they pay.

Household Consumers in general are responsible for the largest portion of debt. Although they show a declining trend, the reasoning behind non-payment by this group of KEK consumers is the reasons identified by this report in the problem background section of the report.

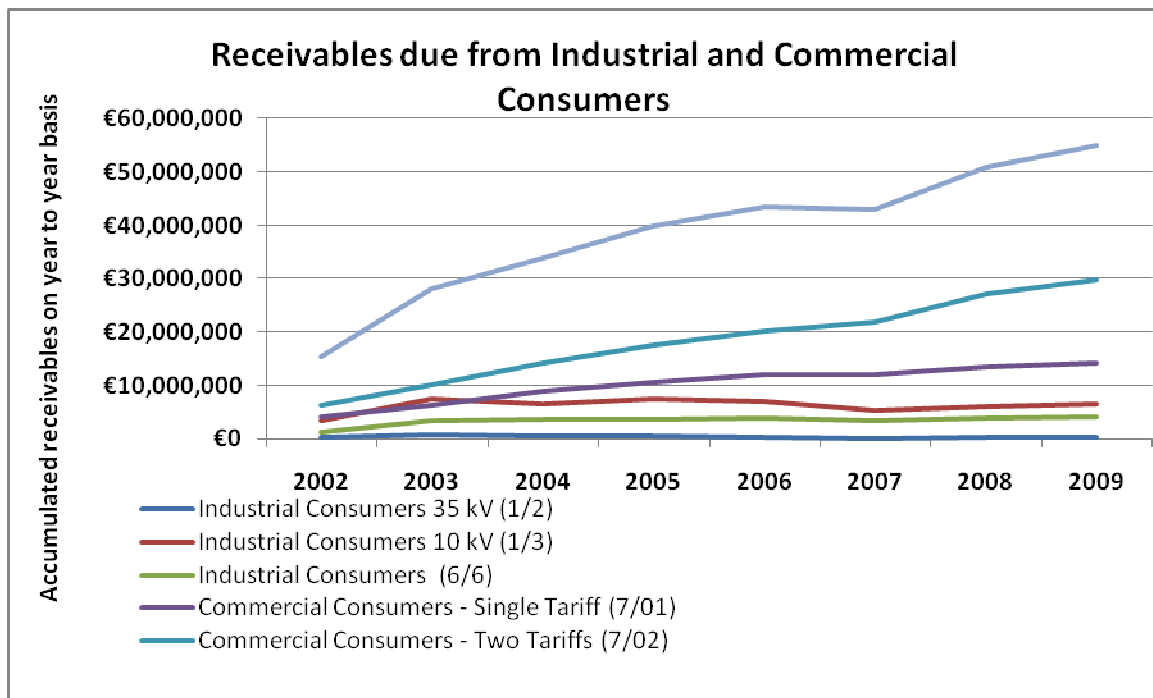
⁶ Tariff Groups Explained in Table 2.2

3.1.3 Analysis of receivables due from industrial & commercial consumers

In the case of Commercial Consumers Figure 4, the largest amount of debt is owed by the Two Tariff Commercial Consumers. At the same time this is the category that owes in regions from €3,000-5,000 and above.

The Single Tariff Commercial consumers owe less, but their debt just like in the case of the Two Tariff Commercial Consumers shows an upward trend. It is obvious that these consumers successfully manage to escape paying their electricity bills.

Figure 3.3 Receivables due from Industrial and Commercial Consumers



Data Source: KEK Customer Care Package Module

A deeper analysis of these two groups brought further insights, in that:

- their debt has surpassed their financial capabilities to service it entirely
- some commercial consumers escape from it by filing bankruptcies and or closing their operations
- that they keep paying regularly nevertheless in amounts just so to escape from being cut-off from the electricity supply
- Possible corrupt practices may be committed by KEK employee's in dealings with these types of consumers. Petty corruption by invoice collectors has been

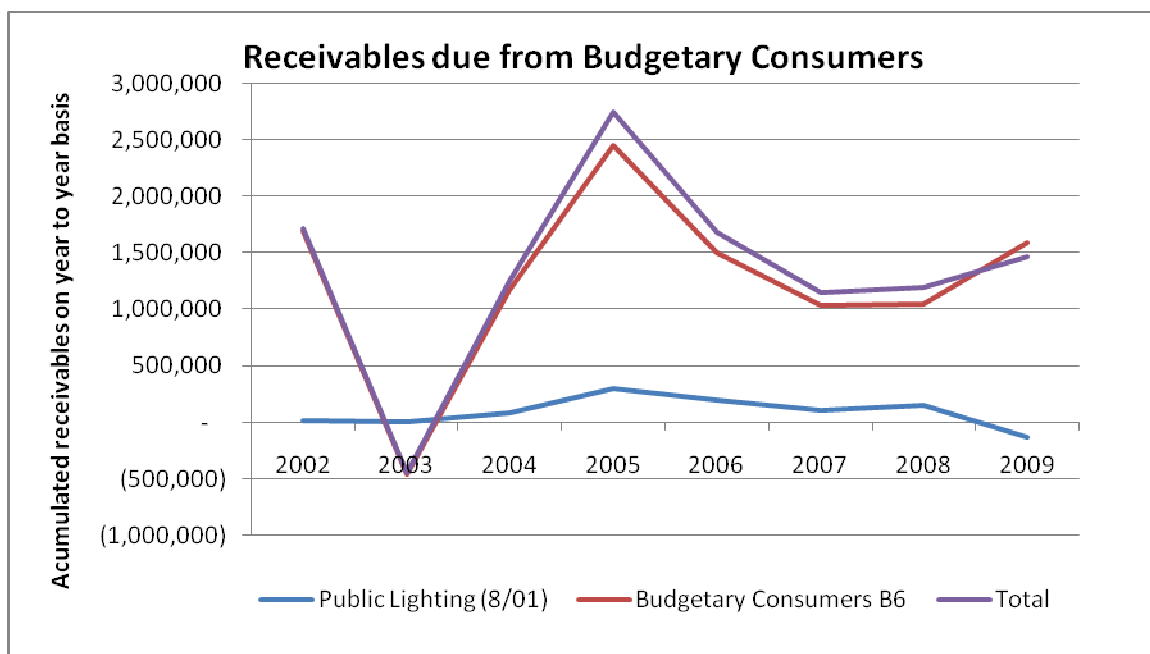
noted in the past. Recently two Feeder Specialists were suspended because they avoided disconnection of KEK consumers in exchange for cash [17].

Industrial Consumers, especially the 35 kV Tariff Group has been consistent in paying their electricity bills. These are very large Industries such as Sharrcem and Ferronickel, both previously socially owned enterprises now privatized. On the other hand, Industrial consumers 10kV and below that, have shown a decrease during 2004-2007 but remained stable during 2008-2009. These are mainly socially owned enterprises that are having major financial problems and are often subsidized by the Government of Kosova. One of these debtors is the Trepça Mines Corporation.

3.1.4 Analysis of receivables due from budgetary consumers

Budgetary consumers, is a KEK consumer strata mainly consisting of Schools, Hospitals and other Institutions that are funded by the Kosovo Consolidated Budget. The trend in the case of this group of consumers shows a very unusual movement.

Figure 3.4 Receivables due from Budgetary Consumers



Data Source: KEK Customer Care Package Module

Whilst in 2003 they appear to be in prepayment, just about the end of 2003 and during 2004 their debt increased abnormally. By the end of 2005 the debt shows a decline. It continues so during 2006 and 2007, remains steady during 2008 but shows a slight

increase during 2009. The Public Lightning appears to be in prepayment, therefore will not be addressed any further by this report.

A further interview with the CCP Analysis Department of KEK Supply Division it was concluded that:

- In 2003 the GoK paid the whole outstanding debt due to political influence imposed by KEK Consultants directly onto the MEF
- During 2004-2005 the debt re-accumulated and needed another political intervention to restart payments of Budgetary Consumers debt towards KEK
- During 2008-2009 a slight increase has been noted nevertheless it is expected that the whole debt will be settled soon.

3.1.5 Main reasons leading to non-payment

It should be emphasized that overall the main reasons as to why KEK consumers refrain from paying their electricity bill regularly are as follows:

- High unemployment in Kosovo, which as per Statistical Office of Kosovo stood at 47.5% in 2008
- Lack of Institutional Support, whereas of 7000 cases reported to Kosovar Courts by KEK, only 2% have been dealt with to date
- KEK employee-customer relationship very often is built on corrupt exchanges and/or family links

Chapter Four

4.1 Discussion and Appraisal

Since year 2000, Kosovo Energy Corporation has been faced with major financial problems as result of poor receivable collections. The receivables balance has increased unhindered besides continuous calls to undertake actions to recover outstanding debt.

As of 31st December 2009, KEK Balance Sheets confirms a receivables balance in the amount exceeding € 350 million. Certain media refers to a receivables balance of € 400 million due to KEK, but as stated earlier in this report, the receivables recorded during 2000-2002 lack proper documentation hence it will not be addressed by this report. This issue is being addressed by KEK.

Table 4.1 Summary of Discussion and Appraisal

- *Implications to KEK resulting from low level of collections and hence high outstanding debts are detrimental*
- *High KEK receivables triggered impairment that wiped off approximately 75% of total KEK value, from €1.1 billion to €250 million*
- *KEK continuously borrows as result of illiquidity caused by non-payment problem*
- *Unemployment thought to be an important contributory factor to electricity non-payment issue*
- *Petty corruption is another contributing factor to non-payment of electricity*
- *As consumers debt for electricity gets larger the less willingness and capability to pay*
- *Often alternative ways sought by KEK consumers to escape from paying their debts*
- *Commercial consumers escape paying their debt towards KEK by filling bankruptcy, shifting their place of operations etc*
- *Non-payment of electricity damages the Kosovo Consolidated Budget since tax authorities will not be able to cash in the VAT and Corporation Tax on outstanding debts*

The implications arising from this issue are detrimental for KEK. With privatization due, the mounting receivables will certainly affect the value of KEK. This has been the case during the Incorporation of KEK in 2005. The report prepared by the Consortium of Consultants, called for economic impairment of KEK assets based on the poor condition of assets, high level of technical losses and **low level of collections**. The report applied an impairment that wiped about 75% of total KEK value from € 1.1 billion to € 250 million [10].

The low level of collections alone must have contributed to the overall impairment with a significant amount, wiping Euro 100s of millions of KEK overall value. As such KEK may be underpriced in the privatization process.

Another critical problem associated with low level of collections that has followed KEK since 2000, is the financial illiquidity. Whilst consumers kept owing to KEK Euro 100's of millions, KEK strived to secure financial means to fund electricity imports, settle monthly payroll even settle petty invoices due to suppliers, in timely manner.

The problem went deeper in that KEK had to borrow long and short term to secure necessary means to survive. This has been very costly experience for KEK. Kosovar Banking Sector has and continues to be the most expensive provider of loans, short and long term. In other words, KEK has had to bear the cost of finance arising as result of failure to collect its receivables at a price up to 12% interest per annum. Finally, if privatization takes place before the debt is collected, the chances of collecting even a slight part of it are doubtful.

The report has analyzed the KEK problems related to uncollected receivables in a comprehensive format. Initially, the report has established the roots of the problem and the causal factors related to it. It has further analyzed and shed light to other factors that contributed to the problem as they emerged within the timeframe of the problem occurrence.

A broad range of literature has been consulted for the purposes of writing this report. Considerable research of various mediums, soft and hard, has been executed in search of finding comparable problems in the region or elsewhere. Although, problems of this nature have been manifested in other parts of the world, solutions adopted varied based on a range of factors that differ from country to country. As such, a solution that has worked elsewhere did not fit particular political, economic, social and technological circumstances in Kosovo. In the light of this, Kosovo has its own characteristics and requires a specific approach. Kosovo especially differed from other countries in that it experienced threefold transition, from war to peace, from socialist to democratic regime and from international protectorate to independent country. So many political changes in the pace of 10 years naturally did not help consolidate Kosovar Institutions especially Courts of Law. This has proved to be one of the main handicaps that have affected KEK's operations in chasing its debtors.

Large unemployment in Kosovo has had its toll upon the poor collection rate of KEK. As per latest statistical data from the Kosovo Statistical Office, during 2008 unemployment rate was 47.5% [3]. This figure has worsened since and most likely exceeds the 50%

mark in 2010. Traditionally unemployment in Kosovo was always high due to very young population. After the last War 1998-1999 the unemployment was high but it improved gradually. From 2000-2007, unemployment figures improved, by the large influx of International Institutions such as United Nations Mission in Kosovo (UNMIK), United Nations Development Programme UNDP, World Bank (WB) and its Institutions such as IMF. These organizations employed a large number of local staff hence smoothing the unemployment. Lack of decent income for most of Kosovar families naturally has reflected negatively in the receivables balance of KEK. Readers should be reminded that the average income in Kosovo is € 249 [2]. With such petty income it is difficult to meet regular bills for an average household in Kosovo.

Another reason to be attributed to the large KEK receivables balance is the KEK employee-customer relationship. As noted earlier in this report, the KEK Audit Department has in many cases identified employees engaged in petty corruption. The latest case found two KEK employees engaged in petty corruption [15].

Possibly numerous employees would have been engaged in petty corruption especially the Feeder Specialists⁷. It should be noted that Feeder Specialists operate in the regions where they live and tend to know or even have family ties with KEK consumers. This is very evident in every walk of life in Kosovo. The relationship quite often results with Feeder Specialist refraining to cut-off power supply to non-paying consumers.

The issues stated above represent the general reasons that have contributed to the problem addressed by this report.

Further analysis found several other reasons as to why KEK consumers do not pay their electricity bills. In the case of Household Consumers whose debt has mounted for the general reasons mentioned above, their debt has increased to a degree that they cannot pay in full. As their debt is getting larger, the more they are seeking alternative ways to escape from servicing their debt. This may include corrupt practices to escape the cut-offs from the power grid.

Commercial consumers have applied the same strategy to escape from paying their debt towards KEK. However, they have been more resourceful in that they keep shifting their operations from one place to another to avoid paying the electricity bills. Quite often they declare their companies bankrupt to avoid paying the mounting electricity bills. Nevertheless, as in the case of household consumers, commercial consumers have electricity debts towards KEK that reach tens of thousands of Euros hence they cannot service their debt entirely. Based on these last statements, the report can conclude that as

⁷ Feeder Specialists are KEK employees whose main duty is to cut-off from electricity grid customers that owe to KEK

consumer's debt surpasses their capabilities to service it entirely, the more alternative ways will be sought by consumers to avoid paying their debt towards KEK. Such alternatives will include corrupt practices. As for budgetary consumers, political influence has proved to be the best option to ensure timely payments of electricity bills.

It should be reiterated that whatever the problems faced by KEK due to its large receivables balance, the impact of this problem is not contained only within KEK. Non-payment of electricity by a large number of consumers has affected the Tax Authorities in that their VAT incomes are poorer for approximately € 50 million ($€ 350 \times 16\%$ VAT). Their incomes are further affected by the corporation tax that would have resulted if that debt had been serviced fully and in timely manner. The corporation tax⁸ bill would have further enriched the Tax Authorities funds. Assuming KEK will successfully collect under the discount scheme, tax authorities will be paid for the amounts received.

⁸ The Corporation Tax Rate in Kosovo is 10% (Reviewed on 20th April 2010)

Chapter Five

5.1 Conclusion and Recommendations

Prior to recommending the strategy for debt collection, it should be emphasized that certain groups should be excluded from the offer. This is because they either do not owe KEK substantially, as in the case of industrial consumers or because they are budgetary organizations and they are expected to pay in full soon.

It should be noted that the discount offered is to stimulate debtors to clear all their debts to the last cent. Furthermore, the discounts should be offered only for debts accumulated until 31st December 2009. It excludes debts accumulated during 2010.

Here on, the report will recommend the best approach to collect the outstanding KEK receivables. Each of the three main categories will be addressed independently due to their specifics i.e. amount of debt, legal status, tax implications etc.

Table 5.1 Recommendation Summary

- *Industrial consumer do not owe to KEK therefore are not addressed by this report*
- *Budgetary consumers subsidized by the Government of Kosovo hence should not be offered discounts*
- *Discounts should be offered only for the outstanding debts accumulated until 31st December 2009*
- *All three main categories to be addressed by this report should be offered 50% discount on their outstanding debts if paid in full*
- *Payment of debt under discount and in installments should be offered only if privatization of KEK is postponed*
- *All KEK stakeholders should benefit from this project*
- *KEK consumers, KEK employees, Tax Authorities (GoK), MEF, MEM should all benefit in one form or another*
- *Consumers that do not register for the offer should be dealt in accordance with law*

5.2 The Offer

5.2.1 Commercial Consumers, Category No. 1

Commercial consumers registered for VAT will be offered 50% discount provided they will pay the VAT on their total debt to KEK. This so they can offset their VAT outgoings from their VAT Income. **Non VAT registered commercial consumers** will be offered a

straight 50% discount of their total debt. If potentially the response to our offer is successful, businesses will have to prove by documentary means if they are VAT registered businesses. Although payment in installment may be an approach whereas the discount offered would be lower, this report will suggest that this option is not viable in the light of the approaching privatization of KEK.

5.2.2 Household Consumers, Category No. 2

The household consumers, single and two tariffs, should be offered 50% discount inclusive of VAT.

Table 5.2 Recommended rates of discount offered to tariff groups

Recommended Rates of Discount to be Offered				
Tariff Group	CCP Code	Rate offered	Other conditions	If paid by installments
Industrial Consumers 35 kV	(1/2)	n/a	n/a	n/a
Industrial Consumers 10 kV	(1/3)	n/a	n/a	n/a
Household Consumers – Single Tariff	(4/01)	50%	n/a	25%
Household Consumers – Two Tariff	(4/02)	50%	n/a	25%
Industrial Consumers	(6/6)	n/a	n/a	
Commercial Consumers – Single Tariff	(7/01)	50%	VAT on 100% debt	30%
Commercial Consumers –Two Tariff	(7/02)	50%	VAT on 100% debt	30%
Public Lighting	(8/01)	n/a	n/a	n/a
Flat Rate Consumers - € 20	(9/01)	50%	n/a	n/a
Flat Rate Consumers - € 50	(9/02)	50%	n/a	n/a
Flat Rate Consumers - € 70	(9/03)	50%	n/a	n/a
Budgetary Consumers	B6	n/a	n/a	n/a

5.2.3 Flat Rate Consumers, Category No. 3

Flat Rate Tariff Group Consumers should be offered 50% discount to stimulate them to clear their overall debt. Paying in installments, again, is not viable solution since KEK is about to privatize. However, the report has produced the installment option if KEK Management finds this option desirable and/or in case privatization of KEK is postponed.

It should be noted that initially the report was thought to address the issue of offering discounts based on the amounts owed – the higher the debt the larger the discount. This

idea was abolished since it exceeds morale boundaries and can be seen as unfair treatment. After all, why should KEK treat large debtors better than the rest!

On the other hand, evidence in Table 3.1 proves that those who owe €5,000 and over, their overall debt continues to rise rather than decline and should not be awarded as such.

In conclusion this report strongly proposes that KEK should provide discounts of 50% to its debtors in exchange for full payment of their discounted debts. This could enrich KEK Bank Accounts for approximately €175million gross.

Assuming that KEK debtors will respond positively to this offer, the benefits to KEK and its stakeholders will be multidimensional.

5.3 Who Benefits

5.3.1 KEK Benefits

As far as KEK is concerned the benefits arising as result of collecting its receivables are as follows:

- Improved liquidity
- Improved asset value
- Improved relationship with its consumers
- Increased capital investment capacity (invest in digital meter readers)
- Legal costs associated with Court Cases against debtors will decrease substantially

5.3.2 Consumer Benefits

Benefits to KEK consumers whom paid regularly electricity bills will also be substantial, in that:

- They will be given 2-3 months free electricity costing approximately €20 million (Note that this will be given only to consumers that paid their bills in time and in full)
- They will be provided with free digital meters costing € 100 a piece, this to be a major capital investment funded from proceeds of undertaking this strategy. The total cost estimated at €40 million
- They will cease to be victims of collective power cut-offs. Digital meter readers will enable KEK to address non-paying consumers individually.

- Various diseconomies⁹ caused by KEK as result of power cuts will be eliminated

5.3.3 Benefits to KEK employees

Benefits to KEK employees arise in the following format:

- KEK employees, especially Feeder Specialists will be saved a lot of trouble cutting off KEK debtors
- KEK Legal Department staff will be able to concentrate on other issues rather than Court Cases dealing with KEK debtors
- KEK Finance Department will be better off in terms of easier liquidity planning

5.3.4 Benefits to other stakeholders

All other stakeholders will benefit. Tax Authorities will increase their revenue from the VAT associated to the debts owed to KEK. A 16% of the overall debt towards KEK will go to Tax Authorities therefore improve the KCB funds.

The MEF will be saved from funding the Digital Meter Readers project, saving €40 million.

The Courts and Police Authorities will save on their administrative and operational costs resulting from reduced activities associated to KEK court cases initiated against its debtors as well as police time spent on accompanying KEK teams in their actions to switch off power to KEK debtors.

However, in order to implement this possible solution, few large scale activities should be undertaken. Initially, KEK should secure the support of the owners of KEK, that the GoK to undertake this strategy. If and when this is approved, KEK should undertake organization of an aggressive campaign to inform consumers about the offer. Campaign should be very transparent and inform the consumers about benefits arising as result of this undertaking.

Furthermore, KEK should closely cooperate with MoJ and MoIA to secure support in dealing with consumers that decline to pay their debts under discount. Consumers that refuse to pay off their debts under these extenuating circumstances should be addressed immediately and ensure that are dealt with properly.

⁹ KEK consumers especially businesses have often been prone to power cut-offs that caused damages hence diseconomies

Ministry of Justice should be asked to establish Special courts to deal solely with KEK cases.

Ministry of Internal Affairs should create a special task force to assist KEK to enforce power cut-offs for those who refuse to settle their debts.

5.3.5 Why a discount of 50%

The 50% discount recommended by this report is thought to be a golden middle and the most common discount offered to consumers across markets. Furthermore, the NPV outcome shows that if KEK were to collect the total outstanding debt in the following 5-10 years, its present value of money is less than the amount KEK would collect if 50% discount is offered. It should be noted that the rate of discount offered can be changed but only following a research- if and when the KEK management decides to undertake the strategy produced by this report.

This report intended to carry such a research, but declined since it was thought that if KEK debtors were asked if they would clear their debts if offered discounts, this may trigger a non-paying behavior amongst regular paying consumers.

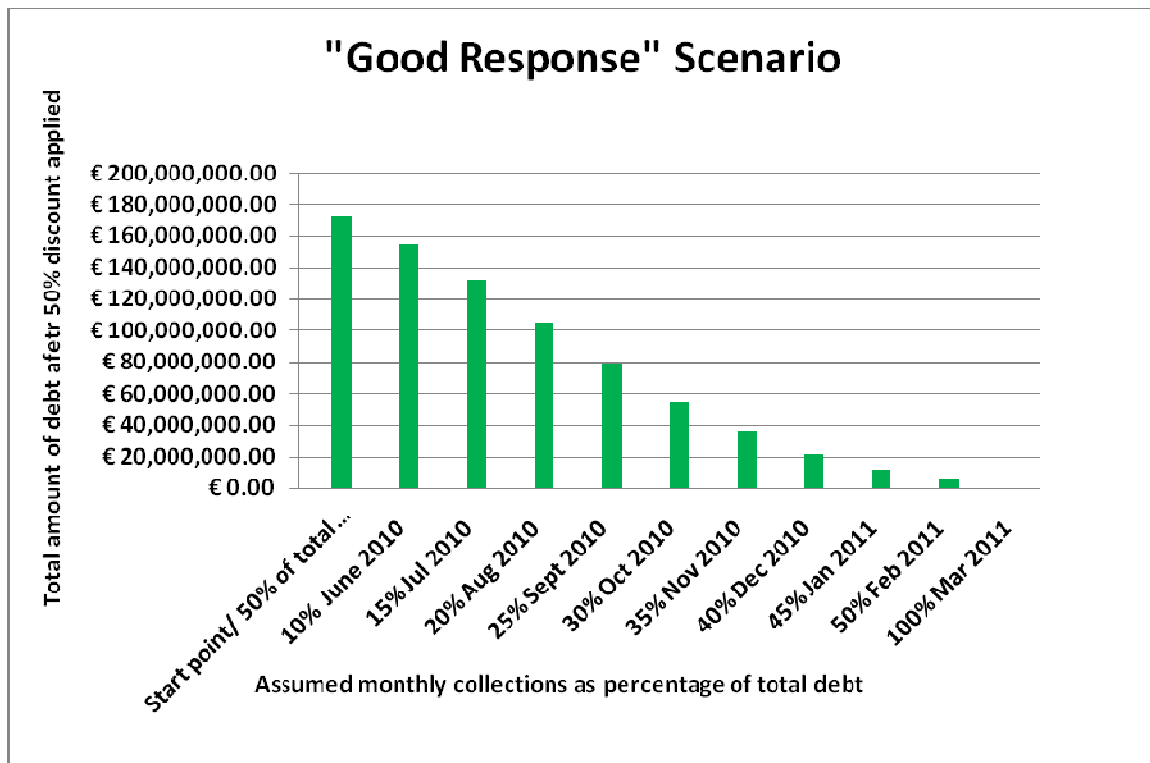
Before undertaking this strategy, KEK should assess the public opinion through research and if it is decided to undertake the strategy, KEK should organize a major campaign to address its consumers about the benefits the strategy could produce for all involved.

5.3.6 Assumed Collection Scenarios

The Report has assumed two response scenarios. The first scenario “Good Response” assumes that on the first following the offer, the response will trigger some 10% of repayments of total debt. The response on percentage basis is expected to continue on the following fashion 15% during July 2010, 20% during August ‘10, 25% during September ‘10, 30% during October ‘10, 35% during November ‘10, 40% during December ‘10, 45% during January 2011, 50% during February 2011 and as debt decreases on the last month, the response is expected to be 100% of remaining debt in March 2011.

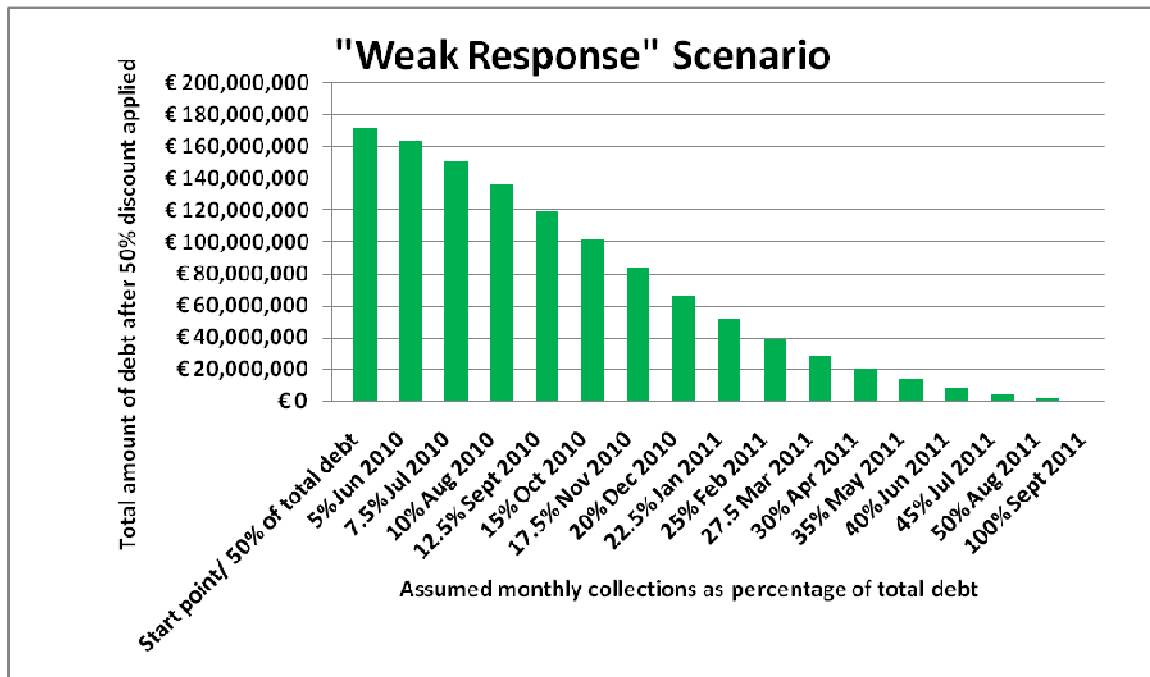
Although on percentage basis the response seems to increase from month to month, on monetary terms the response is the same or gradually declines especially towards the first quarter of 2011 where the debt is assumed to fall drastically.

Figure 5.1 Good Response Scenario



The second scenario “Weak Response” assumes weaker response overall. As result, the scenario assumes that the whole debt can be paid back by September 2011. This scenario assumes lower repayments of debt starting with 5% repayment of overall debt in June 2010 and continues with percentage increases of 2.5% per month until April 2011. From April to September 2011 as the total amount of overall debt decreases substantially, the scenario assumes higher response with 10% increase on monthly basis.

Figure 5.2 Weak Response Scenario



5.3.7 Anticipated analysis outcome

It was anticipated that the commercial consumer's debts will represent 80% of the total debt owed to KEK. This did not prove right. As a matter of fact, commercial consumers owe approximately 20% of the total debt. Furthermore, it was anticipated that the debtor category €3,000-5,000 was totally represented by commercial consumers. This also proved wrong. A larger percentage of the total debt within this category is owed by household's consumers.

List of References

1. Independent Auditors Report and Financial Statements for the year ended 31st December 2009, by Deloitte CE, p.18
<http://www.kek-energy.com/kek-cmnPg.jsp?mID=191&cat=188&l=0>
2. Decrease in wages in Kosovo, Bota Sot Online News (Reviewed online 9th February 2010)
<http://botasot.info/home.php?category=43&id=37676>
3. Statistical Office of Kosovo, Employment Statistics 2008 Report
http://www.ks-gov.net/ESK/index.php?option=com_docman&task=cat_view&gid=16&Itemid=8
4. World Bank Technical Paper No. 423, Non-Payment in the Electricity Sector in Eastern Europe and the Former Soviet Union, pg.3
http://books.google.co.uk/books?id=v2hZPq6qoaMC&printsec=frontcover&Non-Payment+in+the+Electricity+Sector+in+Eastern+Europe+and+the+...&source=bl&ots=iZH64rDzWl&sig=I9nHWG28NWc3mAAISb640ITJvBQ&hl=en&ei=WVN5S8quAYyu4QbqwYiGAQ&sa=X&oi=book_result&ct=result&resnum=1&ved=0CAkQ6AEwAA#v=onepage&q=&f=false
5. ECIKS - Economic Initiative for Kosovo, Economic News, “KEK Debts of € 400 million” (Reviewed online 30th January 2010)
http://www.eciks.org/english/lajme.php?action=total_news&main_id=957
6. 2008 Annual Report: KEK Network and Supply Project, page 28 (Reviewed online 18th January 2010)
http://pdf.usaid.gov/pdf_docs/PDACO455.pdf
7. Serb Integration in Kosovo: Taking the Plunge, Crisis Group Europe Report No. 200, 12 May 2009 (Reviewed online 10th February 2010)
http://www.operationspaix.net/IMG/pdf/ICG_Serb_integration_in_Kosovo_2009-05-12_.pdf
8. Municipalities do not pay debt, Lajm pertej, article dated 1st December 2009
http://www.gazetalajm.info/index.php?option=com_content&view=article&id=135%3Aekopolitike&Itemid=174

9. IAS 36, International Accounting Standards
<http://www.iasb.org/NR/rdonlyres/A288C781-7D39-4988-BA71-9AB77A263BA0/0/IAS36.pdf>
10. KEK Incorporation, Financial Due Diligence Report as at 1 January 2005, page 7, Consortium of Consultants from Deloitte CE (Independent Accountants), Wolf Theiss GmbH (Lawyers) and American Appraisal Hungary Co Ltd (Registered Valuers)
11. Debt's decrease the value, Lajm Newspaper, page 7, 7th April 2010 - Appendix 2
12. Financial Management and Control, FTC Foulks Lynch, page 182
13. KEK decisive to collect outstanding debts, Epoka e Re Newspaper, page 9, 20th March 2010 – Appendix 3
14. KOSPRES, KEK workers attacked on duty, 9th February 2010 (Reviewed online 15th February 2010)
<http://www.kospress.com/portali/lajme/siguri/69-siguri/10987-sulmohen-punetoret-e-kek-ut-ne-detyre>
15. Free Online Research Papers, Inflation Rate in Russia over 16 Years (Reviewed online on 15th February 2010)
<http://www.freeonlineresearchpapers.com/russian-inflation>
16. ECIKS, Article: Now starts the real work, dated 27th February 2008 (Reviewed online 15th February 2010)
http://www.eciks.org/shqip/lajme.php?action=total_news&main_id=1373
17. Case 2010/AO/04 dated 16th March 2010, KEK Audit Department

Appendix 1

How specific courses at RIT aided this Capstone Project Report

The courses read at Rochester Institute of Technology (RIT) provided a complimentary knowledge and skills to undertake and complete this report successfully. Many courses served well to refresh the theoretical and practical requirements to undertake this multidimensional study.

Context and Trends provided for refreshment of analytical tools required to study the context of the issue of this report. Analysis of the circumstances leading to the building up of this problem was complemented by the complementary knowledge provided in the course of Contexts and Trends.

Elements of Service Management raised the idea about the provision of better customer service. The very clearance of debt will enable KEK to increase the level of customer satisfaction in that the power cut-offs will decrease, there will be no collective cut-offs and so on.

Project Management equipped me with the critical skills to organize the schedule of this study.

Breakthrough Thinking is perhaps the most interesting subject provided by this course. It undoubtedly extracted the courage needed to propose solutions of this nature. Thinking outside the box, is a technique that undoubtedly kick-started the idea behind this possible solution.

International Project Finance contributed to the algebra used in this report. NPV calculations were a refreshments provided by this course.

Appendix 2

Debts decrease the value, Lajm Newspaper, page 7, 7th April 2010

lajm E MËRKURË, 7 PRILL 2010

Privatizimi i KEK-ut mund të përcillet me probleme

Borxhet e ulin vlerën

Aktualisht, konsumatorët i kanë borxh Korporatës Energjetike të Kosovës (KEK) rreth 420 milionë euro. Kjo shumë e madhe e mjeteve të pambledhura mund të shkaktojë problem gjatë futjes së sektorit privat në korporatë

LULZIM AHMETI
Prishtinë, 6 prill - Borxhet e konsumatorëve prej 420 milionë eurove, që i kanë Korporatën Energjetike të Kosovës (KEK), mund ta "rrezikojnë" KEK-un gjatë privatizimit, pasi, sipas ekspertëve, ia ulin vlerën kompanisë. Ata sugjerojnë që të shikohen mundësitë për shitjen e borxheve. Zëdhënësi i KEK-ut, Viktor Buzhala, thotë se KEK-u nuk i ndan konsumatorët në vija etnike, ani pse i ka ngrirë borxhet e mëhershme të konsumatorëve serbë, por jo edhe të atyre shqiptarë. "Borxhet do të mbesin të ngrira deri në momentin e zgjidhjes së kontesteve të atyre borxheve. Pas vendimit nga organet kompetente, do të veprohet në bazë të tyre. Por, kjo nuk nënkupton asesi falje të borxhit. KEK-u s'ka ndërmend ta falë asnjë borxh, madje nuk e ka as në kompetencë". Sipas tij, në tërë Kosovën ka borxhe të ngrira që vijnë nga kontestimet e konsumatorëve për një arsye bazike. Paga aktuale në përqindje, sipas zëdhënësit Buzhala, nga të gjithë konsumatorët është rreth 85 për qind të energjisë së saturuar. Artan Nimani, ligjërues në Fakultetin Ekonomik, thotë se borxhet që i kanë KEK-ut konsumatorët nuk mund t'ia ulin vlerën gjatë privatizimit. "Borxhet e konsumatorëve nuk kanë aq shumë ndikim në uljen e vlerës, sepse pronari i ri i KEK-ut nuk do të ofrojë shërbime nëse nuk paguhet ato". Nimani mendon se politikat e dyfishta dhe favoret e konsumatorëve serbë kanë qenë fatkeqe për vetë Korporatën Energjetike të Kosovës. "Duhet të punohet më tepër për kthimin e besimit dhe luftën ndaj korrupsionit, që do të ndikojë direkt në arkëtime me të mira se këto. Te komuniteti pakicë duhet të ndryshojnë qasja dhe ndërhyrja politike për t'i bindur qytetarët se energjia elektrike duhet të paguhet kur shpenzohet". Profesor Nimani tha se qeveria duhet të hartojë strategji për t'i arkëtuar borxhet, pasi është aksionare e vetme e KEK-ut. "Ekziston formula e klasifikimit të borxheve dhe ajo i përcakton qartë çfarë duhet të bëjë më to. Në botë ka mjaft kompani që janë të specializuara dhe të interesuara për blerjen e borxheve, andaj mendoj se duhet të ofrohet edhe borxhi i KEK-ut në treg për t'u shitur". Rudina Heroi, hulumtuese në institutin GAP, thotë se borxhet e mëdha të konsumatorëve ndaj KEK-ut do të ndikojnë gjatë procesit të futjes së kapitalit privat në të. "KEK-u ka një vlerë të lartë të saturave të pambledhura dhe, pa dyshim, kjo do të ndikojë në uljen e çmimit të tij gjatë shitjes". Ajo e ka përmendur rastin e shitjes së kompanisë së energjisë elektrike në Maqedoni, e cila është blerë nga investitori austriak "EVN AG", në vlerë 225 milionë euro. "EVN AG" ka vërejtur humbje teknike në kompani, si dhe faturim të dobët, e ka rritur çmimin e rrymës deri në 10 për qind.



Appendix 3

KEK decisive to collect outstanding debts, Epoka e Re Newspaper, page 9, 20th March 2010

EKONOMI | **E SHITURË, 20 MARS 2010** | **EPOKA E RE** | **09**

ENDE NUK ËSHTË VENDOSUR NËSE DO TË SHITEN BORXHET E KEK-UT

KEK-u i vendosur t'i mbledhë borxhet

Zëdhënësi i Korporatës Energjetike të Kosovës (KEK), Viktor Buzhala, ka deklaruar se KEK-u është i vendosur t'i inkasojë të gjitha borxhet deri në centin e fundit

REPORTERI | **ALB BELA**

Prishtinë, 19 mars - Ndërmëse janë bërë përpjekje për të gjetur zgjidhje për borxhin e madh të konsumatorëve ndaj KEK-it, ende nuk është gjetur ndonjë zgjidhje që do të bënte që vlera e kësaj korporate të rritet, pora se të bëhet privatizimi i distribucionit i shpërndarjes së energjisë.

Zëdhënësi i Korporatës Energjetike të Kosovës (KEK), Viktor Buzhala, ka deklaruar se KEK-u është i vendosur t'i inkasojë të gjitha borxhet deri në centin e fundit dhe nuk e ka ndërmend, madje as në kompetencë ta falë asnjë borxh të asnjë konsumatorit, pa marrë parasysh kush është ai. Sipas tij, edhe pse janë dhënë një numër zgjidhjesh për problemin e borxheve të akumuluar nga konsumatorët ndaj KEK-it, zgjidhja më e mirë është pagesa e borxheve.

Zgjidhja është e thjeshtë. Konsumatori duhet t'i paguajë borxhet e tyre. KEK-u po i inkason

borxhet çdo ditë e më shumë", ka thënë ai për "Epokën e re".

Ndërsa kryetari i Sindikates së Pavarur të Energjetikës së Kosovës (SPEK), Ismet Mustafa, ka thënë për gazetën se për shitjen e borxheve të KEK-it ndonjë kompani të huaj nuk ka pasur kurrfarë debati deri më tani.

"Për fat të keq nuk kemi debatuar me MEM, ose MEF-in lidhur me këto çështje, jo për mungesë të iniciativave të SPEK-it, por në mungesë të gatishmërisë së institucioneve të cilat menaxhojnë me KEK-un, kurse sa i përket menaxhmentit kemi biseduar dhe bamar qëndrimet zyrtare të SPEK-it", ka thënë ai.

"Vetë vendimi i qeverisë për krijimin e një kompanie të re distributive ka për synim ndarjen e shërbimeve në përgjegjësi sipas direktivave të traktatit të komunitetit për energji në Evropën Jugperëndimore. Në realitet është një skemë organizative e sektorit energjetik, që duhet të ngrehet në rrymë me qëllim të përsh-

tatjes së funksionimit dhe krijimit të mundësive për menaxhim me energji, në mënyrë unike, duke përkthyer këtu edhe koston e prodhimit dhe çmimet e shitjes", ka deklaruar Mustafa. Ai tendencën që institucionet e Kosovës t'i (jepin) shihen borxhet e KEK-it dikujt tjetër e sheh me një qasje tjetër.

"SPEK mendon se paraprakisht duhet të bëhet një analizë e mirëfilltë e shërbimeve të cilat kanë bërë që të jetë një gjendje e tillë në KEK. Institucionet e vendit duhet ta përkrahin KEK-un në grumbullim e mjetore në emër të borxheve nga konsumatorët, në mënyrë që t'i shpëtohet vlera korporatës dhe në pas të merren vendimet e mundshme lidhur me reorganizimin, por jo edhe shitjen e borxheve e të asetëve të tjerë", ka thënë ai.

KEK-u ka bërë me dije se gjatë vitit që kaloi pas janë inkasuar 160 milionë euro, apo më 20 për qind më shumë sesa në periudhën e njëqind e një vitit më herët, kur lëhin inkasuar 134.5 milionë euro.

EDITORIALI

Pesimizëm i thelluar ekonomik

Treguesi i Raportit të paralizimit të hershëm për thellimin e pakënaqësive të qytetarëve të Kosovës, janë alarm për nisjen e reformave aty ku nuk kanë filluar ende dhe përpjekimin e tyre aty ku po zvarriten. Papunësia dhe varfëria, si zakonisht mbetin brengat kryesore, ndërsa perceptimi për korupsionin si gjithnjë shpërndan kompani publike, siç është Korporata Energjetike e Kosovës apo institucionet qendrore, gjykatat, që edhe më tutje gëzojnë një besueshmëri të vogël.

Si rrjedhojë e performancës së dobët ekonomike, qytetarët nuk e kanë më simpatinë e mëparshme për lidhshipin e vendit. Një rëndë e lehtë vërehet në vlerësimin për udhëheqësit kosovarë, ndërkohë ka shënuar një edhe pesimizmi ekonomik. Ndër treguesit interesantë është krahasimi mes vlerësimit që i bëhet UNMIK-it, dikur administrator i gjithëkrah në Kosovë dhe institucioneve kosovare, të cilat sot udhëheqin Republikën. Nëse në raportet e mëparshme fajin për misionin i Kombeve të Bashkuara për nusen e përgjithshme, sot, përgjegësia adresohet tek të zgjedhurit e popullit.

Raporti i paralizimit të hershëm është një argument i mirë për t'u dhënë një impuls të ri politikave qeveritare, veçanësisht në sektorin ekonomik. Por, çdo përpjekje do të jetë e pafrutshme, nëse korupsionet vazhdojnë të mbeten me shpejtësi të larta. Raporti i fundit...

EKONOMIA SHIKUET